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ABSTRACT

One of the most difficult and elusive subjects in the area of faculty consulting is the treatment of inventions as well as other information that is of some value but not patentable. The best, most equitable, and most ethical treatment of inventions and information in outside consulting contracts is dependent on carefully prepared and explained university policies, which are made well known to everyone that may be affected. (Author/MSE)

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INVENTIONS AND INFORMATION IN FACULTY CONSULTING RELATIONSHIPS

by

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Inventions and Information in Faculty Consulting Relationships

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One of the most difficult and elusive subjects in the area of faculty consulting is the treatment of inventions as well as other information which is of some value but is not patentable. Organizations for whom faculty consult generally insist on obtaining rights to inventions and information generated as a part of the work performed for which a consulting fee is paid. This is quite understandable and should be acceptable to a university which permits faculty consulting. However some organizations ask for or expect more than this, sometimes considerably more, both in their consulting contracts and by inference. In addition, faculty may turn over more than their consulting contracts call for in order that their consulting relationships and income may be enhanced. Finally, the dividing line is rarely clear and sharp between the results or products of consulting and the results or products of university activities.

These are problems which some universities have examined in depth whereas others may have only made gestures. The strictly legal solutions are not too complicated. Implementation and enforcement are the areas where a great deal of care needs to be used. Patentable inventions will be my first topic, and unpatentable information and data will follow.

Patentable Inventions

Patentable inventions are well defined by law and practice. Practically all universities with any significant volume of research have patent policies which govern the disposition of rights to patentable inventions made by faculty, staff and students. The Society of University Patent Administrators (SUPA) recently made a

survey of the salient aspects of the patent policies of a large group of universities and copies are available for those who care to have them. In a large majority of these cases the patent policy provides for university control over the disposition of patent rights to inventions made in the course of university activities, and in such cases provides for the university and the inventor to each share in royalties. There are wide variations in the royalty percentages which the university and the inventor receive, with the inventor receiving from a low of 15% of net royalty income to a high of 80%. The median for the 48 institutions covered was 33% of net to the inventor.

The reason for university inventors' sharing in patent royalties, whereas the employees of most other organizations do not, is that university faculties are not employed to develop patentable inventions and their salaries and promotions are not based upon the value of the inventions they do make. In other words, making inventions is not part of the job. Nor is it part of a faculty members normal job to disclose inventions in proper form and detail, work with patent attorneys, and, very important, work with potential or actual licensees during the development of an invention to a marketable product. Without an adequate royalty share in compensation for these otherwise uncompensated tasks, university inventors just will not disclose inventions, at least to the university, although they might be tempted to do so to an organization for which they are consulting. It is almost certainly for these reasons that university royalty shares to inventors have been increasing in recent years.

In addition to a royalty share there must be valid legal consideration for the university to claim rights to <u>all</u> faculty inventions made during the course of university activities. Actually

a surprisingly large percentage--nearly 20%--of the university patent policies surveyed by SUPA did not claim university rights to all inventions made during the course of university activities, but only did so where sponsors required rights. However for the remaining 80% legal consideration in addition to royalty-sharing is necessary, or otherwise any inventor could take his invention elsewhere if he could get a better deal. As stated earlier the payment of salary is not good legal consideration and T.E. Blackwell in his volume on College Law has ruled it invalid where tenure faculty are involved.

The best legal consideration for a university to obtain patent rights from its faculty, and from others such as students who receive no salary, is the provision of funds or facilities which are administered by the university. Earlier I referred to inventions resulting from "university activities" and these activities can now be defined as any research or development work which involves the use of funds or facilities administered by the university. This leads to a more clear cut boundary between inventions where a university has rights and inventions which may be assigned or licensed to an organization with whom a faculty member has a consulting relationship. And it means, as it should mean, that the university does not claim rights to inventions made without the use of university funds or facilities. But faculty members and organizations which employ them as consultants should both recognize and accept the boundary line.

I have identified three significant kinds of problems which can arise with regard to inventions made by faculty members or other staff who do consulting work.

1. Perhaps the most frequent is that the consulting contract may call for invention rights which are too broad and therefore conflict with an individual's obligations under a university patent policy.

For example the consulting contract may call for rights to inventions made in a particular field, such as solid-state electronics, and the potential inventor is doing research in that field at the university so that the university has rights to inventions made. Or the contract may call for inventions made during the period of, or in the course of, or emanating from the consulting contract without regard to whether university funds or facilities are used. One solution is to insist that consulting contracts should only call for rights to inventions made as part of the work under the contract, and that no such work should be done using university funds or facilities. Another solution is to insert prominently in faculty and staff rules and regulations a provision such as Princeton has used for years to the effect that, in the event there is a possibility of conflict with regard to invention rights, consulting contracts should contain a clause stating that the consultants' obligations in these respects are subject and subordinate to their obligations under contracts or grants to the university and to their obligations under the university patent policy.

2. A university patent policy is legally binding upon the faculty if it has been properly adopted and promulgated. However should a conflict arise between the provisions of a university patent policy and a consulting contract, one might have to prove that the patent policy had been adequately brought to the attention of the person doing the consulting <u>before</u> the consulting contract was executed. This can be difficult. For this reason many institutions enter into written patent agreements, as a part of employment agreements or otherwise, with all affected faculty and staff. Some government sponsors insist that there be such written agreements.

3. Finally, an inventor can unknowingly or knowingly violate the provisions of a patent policy or patent agreement when assigning an invention to an organization for whom be or she consults. If done unknowingly there has been inadequate education. I have heard of only one case where this was done knowingly.

Whatever the source of the problem, an adequate policy which is fully implemented can avoid practically all problems.

Information

The question of whether information is properly or improperly furnished to an outside organization by a consulting faculty member is considerably thornier than for patentable inventions. After all, patentable inventions require disclosures with witnesses, are generally based on notebooks as well as visible experiments and are therefore easier to pin down. Information often is not. By information I refer in part to the kinds of things covered in Government contracts under the titles of technical data, design and copyrightable material. But there are other types as well, as we shall see.

In terms of ethics one would say that no outside organization should be permitted through a consulting relationship to obtain a preferred position based on information which emanates from a university. Generally speaking a preferred position would result from obtaining information of some value before that information is made available to others. I will describe four possibilities out of the many that can occur.

1. Information which of itself does not describe a patentable invention but which contains a clue that could lead to the development of such an invention.

2. Data on the results of experiments which, while not involving any invention, could place an organization which receives it in an advantageous position with respect to its competitors.

3. Advance information prognoses of economic, financial, population or similar trends that again could give a recipient organization an advantage.

4. Advance information with regard to the future placement of large purchase orders or subcontracts where the advantage to the recipient should be obvious. Actually influencing the placement of purchase orders or subcontracts goes even farther but generally such actions are reasonable obvious, can generally be forestalled by competent management and therefore are relatively rare.

The transmission of information of the kinds I have described in a way that gives a preferred position to the recipient is fairly intangible in nature, often does not involve any legal obligations or violations thereof, and may not be covered by the policies of the university involved. The ethics of the individual then become the haven of last resort. But even ethics may not be enough for one who is not aware of how an institution looks upon the advance transmission of knowledge of the types I have described. So thus the key becomes the development, approval and wide dissemination of university policies that are well known to and accepted by the faculty.

In conclusion it is my belief that the best, most equitable and most ethical treatment of inventions and information in faculty outside consulting contracts are dependent, as I said just a minute ago, upon university policies that are carefully prepared, with reasons explained, and are made well known to everyone that may be affected.